

Northeast- Midwest Report

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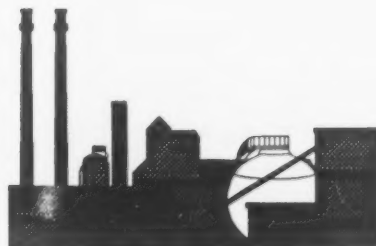


The Northeast-Midwest Institute was formed in 1977 at the request of representatives and senators who wanted to ensure the future economic vitality of those states that historically have formed the nation's industrial heartland. The Institute works closely with the Northeast-Midwest Congressional Coalition, a bipartisan group of nearly 200 representatives, and with the 36 senators who comprise the Northeast-Midwest Senate Coalition. In addition to elected officials, the Institute provides information and analysis to corporate, academic, and labor leaders who recognize the common problems facing their states and the fact that federal policies often create obstacles to regional economic growth. Institute staff work in five major issue areas: economic development, human resources, energy, natural resources, and trade.

Industrial Development Bonds:

***Maintaining an Incentive for
Manufacturing Competitiveness***

Charles Bartsch



Lance Wenger

Northeast-Midwest Institute
218 D Street, S.E.
Washington, D.C. 20003
(202) 544-5200

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218 D Street, S.E.

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Tax-exempt small-issue industrial development bonds (IDBs) encourage economic development activities by offering existing and prospective manufacturers affordable financing that otherwise might not be available. States, local governments, and various quasi-public agencies are authorized to issue IDBs, with the proceeds covering the cost of constructing new manufacturing plants, improving existing facilities, or buying new equipment. The bonds are payable from and secured by the revenues of the projects they finance. IDBs are appealing to investors because the interest they bear is exempt from federal taxation, and to issuing jurisdictions because they can provide or leverage capital at less than market rates for projects and public-private ventures sought by the community.

On December 31, 1991, the authority to issue tax-exempt small-issue IDBs will expire unless Congress extends it.

Role in Economic Revival

Many smaller manufacturers need fixed-rate, low-cost financing for modernization and expansion; yet these enterprises face the greatest obstacles to capital formation and are most vulnerable to fluctuating interest rates. IDBs have provided needed financing for these operations. States such as Pennsylvania, New York, and New Jersey have made extensive and creative use of IDBs to promote local economic revitalization efforts. This creativity could be put to good use to combat the effects of the current stagnant economy if Congress allows IDBs to survive. Small-issue IDBs are the only remaining federal economic development incentive targeted solely to manufacturing, a sector in which recovery is vital to broad national economic resurgence.

The ability of the region's small manufacturing firms to retool, modernize, and diversify to take advantage of market opportunities--in short, to achieve their full competitive potential nationally and internationally--is stymied by the lack of affordable, accessible investment capital. Many financially viable, creditworthy firms are not able to find satisfactory commercial financing for reasons related to their size, sector, stage of development, or location. In the current credit climate, IDB financing takes on even greater importance; small companies have found credit harder to get and more costly as bankers impose more stringent lending standards.

Rep. William Coyne (D-PA) has introduced a bill (H.R. 1186) to extend issuing authority for five years, until the end of 1996. Rep. Louise Slaughter (D-NY) has sponsored a similar bill (H.R. 673) that also would extend them through 1996. (Senators John Breaux and Richard Bryan have introduced a bill, S. 1357, that would extend issuing authority permanently.) An extension of IDB issuing authority could play a key role in stimulating economic recovery in the nation's industrial centers, large and small. As Rep. Coyne wrote to his colleagues in the House, "reliable access to capital is vital for small manufacturing firms." He noted that IDBs are "best suited for the small manufacturing firms which are so important to the modern American economy."¹

IDBs have proven to be an important tool for filling critical financing gaps, especially those faced by small and mid-sized operations. In a recent interview, Rep. Slaughter discussed the importance of the IDB program to the local economic development process, saying "it is foolish for us not to make an investment that we know works. We can point to, time after time,

¹Rep. William Coyne, Dear Colleague letter, January 24, 1991.

the jobs it has created and the new industries it has helped give life to."² Bond proceeds enhance industry diversification and modernization initiatives and support job creation and retention efforts. IDB-assisted projects carried out since 1979 employ more than 1.6 million people; some experts suggest that more than 300,000 of these jobs would not exist if business owners had not been able to secure IDB financing. In addition, the IDB issuing process allows jurisdictions to target investment capital for manufacturing and related purposes to areas consistent with their own economic development objectives. The majority of all IDB proceeds since 1979 have been spent in economically distressed areas with unemployment rates above the national average.

As Rep. Howard Wolpe (D-MI) and Rep. Frank Horton (R-NY), co-chairs of the Northeast-Midwest Congressional Coalition, wrote in a July letter, several reasons exist for extending IDB authority.

- The program has been reined in to manageable levels. Volume limits, targeting provisions, and other restrictions imposed by TEFRA and DEFRA have reduced IDB issuances by four-fifths since 1984 and eliminated the most flagrant abuses of these incentives.
- IDBs play a unique role in publicly supported development finance, one not easily filled by other programs. SBA, EDA, and HUD programs are not able to offer the millions of dollars that even small manufacturing operations often need to modernize, diversify, or expand.
- The public purpose of IDBs is well documented. They have served manufacturers, workers, and governments well.³

Given current volume caps and trends in issuing activity, more than \$15 billion in small-issue IDBs probably would be issued during the next five years if this incentive continues. The congressional Joint Committee on Taxation has estimated that a five-year extension of IDB issuing authority could cost \$600 million (in terms of foregone federal tax receipts on bond interest) overall for the five fiscal years from 1992 through 1996. However, this loss would be offset by increased corporate and personal income taxes that IDB-assisted private investment would generate. In addition, more state and local sales, inventory, property, and other tax revenues from this investment would push the public return even higher. Analyses focusing on IDB revenue losses and declaring that IDBs do not increase economic or employment activity presume that IDB investors would otherwise put their money in comparable taxable investments, an assumption that can not be justified.

Effects Of The 1986 Tax Act

The Tax Reform Act of 1986 made numerous changes in the treatment of tax-exempt instruments, particularly IDBs that have, in practice, drastically curtailed their use. Provisions were included that did the following:

²Rep. Louise Slaughter, interview, *Northeast-Midwest Economic Review*, September 9, 1991, page 13.

³Rep. Howard Wolpe and Rep. Frank Horton, Letter to the House Ways and Means Committee, July 25, 1991.

- adopted more strict annual volume caps to limit growth;
- declared several types of project activities ineligible for assistance;
- added new arbitrage and refunding restrictions that in effect raised borrowing costs for the state and local governments;
- reduced the tax advantage of the interest exemption by canceling the deduction of interest expense for carrying tax-exempt obligations and requiring inclusion of interest yields in the computation of investors' alternative minimum tax liability.

These restrictions resulted in part from the explosive growth of tax-exempt borrowing by state and local governments for private-purpose projects outside traditional areas and the loss to the federal treasury of tax revenues. The annual volume of these bonds grew from \$14.5 billion in 1975 to nearly \$162 billion in 1985. Small-issue IDBs helped feed this growth.

In their heyday, IDBs were one of the most popular forms of state and local economic development finance, used to provide more affordable capital for the acquisition, construction, or improvement of privately owned businesses. In 1985, public agencies issued over \$16 billion in IDBs for local business-development projects. Pennsylvania (\$1.1 billion), New York (\$987 million), New Jersey (\$886 million) led the nation in using small-issue IDBs to spur economic development and private-investment activities.

The 1986 tax act caused the bottom to fall out of the private-activity bond market. About \$6.8 billion in small-issue IDBs were sold in 1986; in 1987 the amount plummeted to \$1.2 billion. A slight recovery occurred in 1989 with \$3.2 billion in small-issue IDBs sold, but in 1990 the market again dipped, this time to slightly under \$2 billion. By 1990, issuances in the Northeast-Midwest region had declined from the 1985 level of almost \$8.9 billion to \$903 million, or 10.2 percent of their 1985 level (see Table 1). The magnitude of this drop is illustrated by comparing the volume issued in Pennsylvania and New York, which issued more IDBs in 1985 than the entire region did in 1990. As in 1985, the three largest issuers of IDBs were states in the Northeast-Midwest region: Ohio (\$136.6 million), Pennsylvania (\$123.9 million), and Illinois (\$115.5 million).

While the 1986 tax act severely curtailed the use of tax-exempt bonds, IDBs have remained an important source of funding for economic development activities at the state and local level. As Rep. Louise Slaughter noted when she introduced her bill,

By reducing the cost of capital, small-issue bonds encourage the needed investment which helps American businesses compete in the international marketplace and keeps manufacturing jobs in America. Maintaining our manufacturing base is essential in generating employment.⁴

The limit on the value of a single bond issue is \$10 million, a factor that helps target the bonds to smaller companies. The average bond issue of \$1.6 million creates 25 new jobs in or related to manufacturing, most of which are in areas where unemployment is at or above the national average.

⁴Rep. Louise Slaughter, floor statement on January 28, 1991.

Restrictions on Eligible Activities

With some exceptions, IDBs are considered taxable issues. Local community development strategies that rely on tax-exempt financing are, therefore, built around this specific list of eligible activities. The 1986 tax act imposes stiffer use and security tests to determine whether a private-activity bond meets a legitimate public interest and thus is tax-exempt. By law, the following private activities can receive tax-exempt bond financing:

- water, sewer, and solid waste facilities;
- government-owned airports, docks, and wharves;
- multifamily housing (with low-income unit set-asides);
- student loans;
- not-for-profit hospital and educational institution projects;
- mass transit facilities;
- local gas and electric facilities;
- district heating and cooling facilities;
- hazardous waste treatment facilities; and
- qualified redevelopment bonds (formerly public-purpose tax increment finance bonds).

Tax reform eliminated the exemption for small-issue IDBs except for manufacturing projects; eligibility for this purpose will lapse at the end of 1991. The 1986 act also eliminated sports, convention, trade show, and most parking facilities, as well as industrial parks and pollution-control facilities from the list of eligible activities.

Volume Limits

The tax act brought nearly all types of private-purpose bonds under a "unified" volume cap. This cap limits the value of bonds issued by a state to \$50 per state resident or \$150 million annually, whichever value is greater (see Table 2). Activities now subject to volume limitations include:

- small-issue IDBs;
- water, sewer, and hazardous waste facilities;
- student loan bonds;
- mortgage revenue bonds;
- general obligation and revenue bonds that fail the "essential function" public-purpose test;
- qualified redevelopment bonds; and
- private use portion (over \$15 million) of government bonds.

Through the vicissitudes of the legislative process, some eligible tax-exempt activities were not placed under the unified cap: government-owned airports, docks, and wharves; government-owned solid waste disposal facilities; and bonds to support projects by non-profit organizations such as hospitals and educational institutions.

In addition to limiting the volume of bonds a state can issue, the caps have in effect forced many states to decide which types of projects will receive preference in the issuance of bonds. While 18 states have not set priorities on bond issuance, the remaining 32 have done so. The majority of states that set priorities direct that substantial portions go to housing; other

priority programs include economic or industrial development and student loans (see Table 3). Such selection processes have limited the amount of issuing authority devoted to small-issue IDBs.

The Current Situation

The tax exemption for small-issue IDBs expires on December 31, 1991. Originally set to expire at the end of 1989, it has been extended twice to continue the program. Congress and public interest groups have supported these extensions. Rep. William Coyne states,

The reforms of this program have strengthened it, and have led many of my House colleagues to actively support its extension. Last year, over 170 House Members cosponsored legislation to extend IDBs. In addition, IDB extension is actively supported by the National Governors Association, the National League of Cities, the U.S. Conference of Mayors, and the U.S. Chamber of Commerce.⁵

IDBs provide communities with a flexible incentive to stimulate economic development activities. Even though their use has diminished, IDBs continue to bring critically needed capital investment to manufacturing projects--capital that, increasingly, is just not available from other public or private sources. In short, tax-exempt IDBs have proven valuable to state and local economic recovery and growth efforts, and their availability should be extended.

Moreover, Congress should take the opportunity to provide some continuity to the program. The practice of extending the program for short terms as it nears the end has produced a great measure of uncertainty. State and local governments are not able to make long-term plans for manufacturing modernization or development projects without some certainty of continuation. Two bills introduced this session of Congress address this problem by extending the authority to issue IDBs until the end of 1996. H.R. 1186, introduced by Rep. Coyne, has 202 cosponsors. H.R. 673, offered by Rep. Slaughter, has 81 cosponsors. This five-year extension would remove the element of uncertainty from the program and thus allow state and local governments to proceed with more comprehensive economic development programs that rely on IDB financing. As Rep. Slaughter stated in an interview: "One year extensions do not provide the stability that local development groups need and deserve."⁶

Table 1 shows the volume of IDBs in each state. Officially, the Treasury Department collects data each year via required reporting forms. The Treasury is experiencing considerable delays in processing these forms, however, and has not released data on issues later than 1987. To help fill this information gap, the Advisory Commission on Intergovernmental Relations (ACIR) carried out a survey of the states, starting in 1989. No data are available for 1988 from any source.

Table 2 presents information on the change in IDB issues from 1985 to 1990, in amounts and proportions. It also lists the volume cap for each state in 1990. While the information in the first four columns deals only with IDBs, the volume cap includes all types of tax-exempt private-activity bonds including IDBs.

⁵Rep. William Coyne, floor statement on March 1, 1991.

⁶Rep. Louise Slaughter, interview, *Northeast-Midwest Economic Review*, September 9, 1991, page 13.

Table 3 shows state allocation priorities for tax-exempt private-activity bonds of all sorts. These lists give some indication of the level of priority given to small-issue IDBs within the state volume cap.

The following chart compares the regional total IDBs issued for the five years.

IDBs Issued by Region: 1985-1990
(in percent)

Region	1985	1986	1987	1989	1990
Northeast	7.2	5.3	6.3	3.8	3.0
Mid-Atlantic	22.1	26.6	16.0	15.0	11.7
Midwest	25.6	22.5	26.7	29.5	31.6
NE-MW Total	54.9	54.4	49.0	48.3	46.3
South	29.2	32.9	36.0	34.5	39.1
West	15.9	12.6	15.0	17.2	14.6
S+W Total	45.1	45.5	51.0	51.7	53.7
U.S. Total	100.0	100.0	100.0	100.0	100.0

SOURCES: Staff calculations from Department of Treasury, Office of Tax Analysis (1985-1987) and ACIR Private Activity Bond Surveys (1989-1990), see Table 1.

Table 1
Small-Issue Industrial Development Bonds
Issued in Each State: 1985-1987 and 1989-1990¹
(in millions of dollars)

State or Region	1985 Issues	1986 Issues	1987 Issues	1989 Issues	1990 Issues
New England					
Connecticut	284.0	114.0	12.3	17.4	6.0
Maine	96.0	38.0	0.0	37.2	6.1
Massachusetts	586.0	136.0	60.7	43.0	36.1
New Hampshire	86.0	3.0	0.0	10.6	n/a
Rhode Island	73.0	46.0	3.4	8.4	8.7
Vermont	39.0	29.0	0.0	5.0	2.0
Total	1,164.0	366.0	76.4	121.6	58.9
Mid-Atlantic					
Delaware	162.0	140.0	0.0	12.0	n/a
Maryland	424.0	127.0	20.9	32.9	12.0
New Jersey	886.0	350.0	65.7	112.0	15.0
New York	987.0	628.0	80.7	213.1	78.1
Pennsylvania	1,118.0	573.0	25.6	113.0	123.9
Total	3,577.0	1,818.0	192.8	483.0	229.0
Midwest					
Illinois	864.0	280.0	51.5	63.0	115.5
Indiana	509.0	153.0	75.5	170.8	75.8
Iowa	194.0	72.0	9.5	48.2	48.6
Michigan	862.0	382.0	63.0	240.4	108.8
Minnesota	448.0	110.0	15.7	90.4	51.7
Ohio	864.0	392.0	76.2	217.2	136.6
Wisconsin	404.0	148.0	30.7	125.2	79.0
Total	4,145.0	1,537.0	322.2	955.2	616.0
South					
Alabama	337.0	216.0	51.8	n/a	90.2
Arkansas	78.0	36.0	44.3	78.7	17.9
District of Columbia	n/a	n/a	0.0	n/a	n/a
Florida	589.0	234.0	19.9	67.1	35.6
Georgia	618.0	443.0	36.7	164.7	92.4
Kentucky	298.0	159.0	62.8	119.0	88.9
Louisiana	258.0	99.0	0.3	12.5	2.7
Mississippi	170.0	43.0	20.4	60.8	71.0
North Carolina	242.0	54.0	51.4	163.0	115.3
Oklahoma	118.0	30.0	18.6	37.3	36.4
South Carolina	221.0	120.0	29.8	147.3	75.7
Tennessee	426.0	228.0	21.8	122.3	47.4
Texas	651.0	213.0	21.7	32.0	33.1
Virginia	597.0	301.0	47.7	98.1	41.5
West Virginia	118.0	72.0	8.2	11.1	15.5
Total	4,721.0	2,248.0	435.3	1,113.9	763.6

Table 1
Small-Issue Industrial Development Bonds
Issued in Each State: 1985-1987 and 1989-1990 (continued)¹
(in millions of dollars)

State or Region	1985 Issues	1986 Issues	1987 Issues	1989 Issues	1990 Issues
West					
Alaska	160.0	22.0	0.0	n/a	n/a
Arizona	221.0	52.0	14.2	21.7	5.1
California	600.0	162.0	47.5	151.3	63.5
Colorado	191.0	46.0	12.0	23.5	16.2
Hawaii	0.0	n/a	0.0	n/a	n/a
Idaho	27.0	9.0	7.9	31.2	9.3
Kansas	166.0	121.0	16.9	36.0	25.9
Missouri	533.0	161.0	14.1	98.7	28.4
Montana	36.0	4.0	0.0	n/a	n/a
Nebraska	92.0	28.0	4.8	18.5	21.8
Nevada	30.0	14.0	0.0	22.6	4.0
New Mexico	40.0	2.0	1.9	18.0	5.0
North Dakota	26.0	23.0	4.5	n/a	7.5
Oregon	72.0	30.0	4.6	55.1	21.0
South Dakota	38.0	58.0	6.5	n/a	9.1
Utah	164.0	73.0	13.1	8.6	6.3
Washington	164.0	52.0	33.9	68.8	60.4
Wyoming	15.0	2.0	0.0	n/a	n/a
Total	2,575.0	859.0	181.8	554.0	283.5
Northeast	4,741.0	2,184.0	269.2	604.6	287.9
Midwest	4,145.0	1,537.0	322.2	955.2	616.0
Northeast and Midwest	8,886.0	3,721.0	591.3	1,559.8	903.9
South	4,721.0	2,248.0	435.3	1,113.9	763.6
West	2,575.0	859.0	181.8	554.0	283.5
South and West	7,296.0	3,107.0	617.1	1,667.9	1,047.1
U.S. Total	16,182.0	6,828.0	1,208.4	3,227.7	1,951.0

¹No data are available for 1988 because the Treasury Department report covers 1985 to 1987 and ACIR covers 1989-1990.

SOURCES: Department of the Treasury, Office of Tax Analysis "Private Activity Tax-Exempt Bond Volume in 1985: Preliminary Data" (Washington, D.C., July 15, 1986), Table 4 (column 1); Gerald Auten and Edward Chung, "Private Activity Tax-Exempt Bonds, 1986," *Statistics of Income Bulletin*, Summer 1988 (column 2); Internal Revenue Service, "Preliminary Estimates of 1987 Private Activity Bonds (Washington, D.C., 1991) (column 3); Dennis Zimmerman, *The Volume Cap for Tax-Exempt Private-Activity Bonds: State and Local Experience in 1989* (Washington, D.C.: Advisory Commission on Intergovernmental Relations and Urban Institute, July 1990) (column 4); and Dennis Zimmerman and Daphne Kenyon, "Data Tables for 1990 ACIR Private Activity Bond Survey," Internal Report, Washington, D.C.: Advisory Commission on Intergovernmental Relations, August 14, 1991, (column 5).

Table 2
Change in Volume of IDBs: 1985 to 1990
(in millions of dollars)

State or Region	1985 Issues	1990 Issues	Amount Change 1985-1990	Percent Change 1985-1990	Volume Cap 1990
New England					
Connecticut	284.0	6.0	-278.0	-97.89	162.0
Maine	96.0	6.1	-89.9	-93.65	150.0
Massachusetts	586.0	36.1	-549.9	-93.84	295.7
New Hampshire	86.0	n/a	n/a	n/a	150.0
Rhode Island	73.0	8.7	-64.3	-88.08	150.0
Vermont	39.0	2.0	-37.0	-94.87	150.0
Total	1,164.0	58.9	-1,105.1	-94.94	1,057.7
Mid-Atlantic					
Delaware	162.0	n/a	n/a	n/a	150.0
Maryland	424.0	12.0	-412.0	-97.17	234.7
New Jersey	886.0	15.0	-871.0	-98.31	386.8
New York	987.0	78.1	-908.9	-92.09	897.5
Pennsylvania	1,118.0	123.9	-994.1	-88.92	602.0
Total	3,577.0	229.0	-3,348.0	-93.60	2,271.0
Midwest					
Illinois	864.0	115.5	-748.5	-86.63	582.9
Indiana	509.0	75.8	-433.2	-85.11	279.7
Iowa	194.0	48.6	-145.4	-74.95	150.0
Michigan	862.0	108.8	-753.2	-87.38	463.7
Minnesota	448.0	51.7	-396.3	-88.46	217.7
Ohio	864.0	136.6	-727.4	-84.19	545.4
Wisconsin	404.0	79.0	-325.0	-80.45	243.4
Total	4,145.0	616.0	-3,529.0	-85.14	2,482.8
South					
Alabama	337.0	90.2	-246.8	-73.23	205.9
Arkansas	78.0	17.9	-60.1	-77.05	150.0
District of Columbia	n/a	n/a	n/a	n/a	n/a
Florida	589.0	35.6	-553.4	-93.96	633.6
Georgia	618.0	92.4	-525.6	-85.05	321.8
Kentucky	298.0	88.9	-209.1	-70.17	186.4
Louisiana	258.0	2.7	-255.3	-98.95	219.1
Mississippi	170.0	71.0	-99.0	-58.24	150.0
North Carolina	242.0	115.3	-126.7	-52.36	328.6
Oklahoma	118.0	36.4	-81.6	-69.15	161.2
South Carolina	221.0	75.7	-145.3	-65.75	175.6
Tennessee	426.0	47.4	-378.6	-88.87	247.0
Texas	651.0	33.1	-617.9	-94.92	849.6
Virginia	597.0	41.5	-555.5	-93.05	304.9
West Virginia	118.0	15.5	-102.5	-86.86	150.0
Total	4,721.0	763.6	-3,957.4	-83.83	4,083.7

Table 2
Change in Volume of IDBs: 1985 to 1990 (continued)
(in millions of dollars)

State or Region	1985 Issues	1990 Issues	Amount Change 1985-1990	Percent Change 1985-1990	Volume Cap 1990
West					
Alaska	160.0	n/a	n/a	n/a	150.0
Arizona	221.0	5.1	-215.9	-97.69	177.8
California	600.0	63.5	-536.5	-89.42	1,453.2
Colorado	191.0	16.2	-174.8	-91.52	165.9
Hawaii	0.0	n/a	n/a	n/a	150.0
Idaho	27.0	9.3	-17.7	-65.56	150.0
Kansas	166.0	25.9	-140.1	-84.40	150.0
Missouri	533.0	28.4	-504.6	-94.67	258.0
Montana	36.0	n/a	n/a	n/a	150.0
Nebraska	92.0	21.8	-70.2	-76.30	150.0
Nevada	30.0	4.0	-26.0	-86.67	150.0
New Mexico	40.0	5.0	-35.0	-87.50	150.0
North Dakota	26.0	7.5	-18.5	-71.15	150.0
Oregon	72.0	21.0	-51.0	-70.83	150.0
South Dakota	38.0	9.1	-28.9	-76.05	150.0
Utah	164.0	6.3	-157.7	-96.16	150.0
Washington	164.0	60.4	-103.6	-63.17	238.1
Wyoming	15.0	n/a	n/a	n/a	150.0
Total	2,575.0	283.5	-2,291.5	-88.99	4,243.0
Northeast	4,741.0	287.9	-4,453.1	-93.93	3,328.7
Midwest	4,145.0	616.0	-3,529.0	-85.14	2,482.8
Northeast and Midwest	8,886.0	903.9	-7,982.1	-89.83	5,811.5
South	4,721.0	763.6	-3,957.4	-83.83	4,083.7
West	2,575.0	283.5	-2,291.5	-88.99	4,243.0
South and West	7,296.0	1,047.1	-6,248.9	-85.65	8,326.7
U.S. Total	16,182.0	1,951.0	-14,231.0	-87.94	14,138.2

SOURCES: Department of the Treasury, Office of Tax Analysis, "Private Activity Tax-Exempt Bond Volume in 1985: Preliminary Data" (Washington, D.C., July 15, 1986), Table 4 (column 1); and Dennis Zimmerman and Daphne Kenyon, "Data Tables for 1990 ACIR Private Activity Bond Survey," Internal Report, Washington, D.C.: Advisory Commission on Intergovernmental Relations, August 14, 1991, (columns 2 and 5).

Table 3
Allocation Priorities For Tax-Exempt Private Activities Bonds: 1989

State or Region	Allocation Priorities
New England	
Connecticut	42% to housing, 32% to economic development.
Maine	Priority order: small issues, housing, student loans, all others.
Massachusetts	No priority.
New Hampshire	One-third to housing, two-thirds to all others.
Rhode Island	No priority.
Vermont	Housing, industrial development, student loans.
Mid-Atlantic	
Delaware	No priority.
Maryland	60% to housing, 15% other.
New Jersey	Largest share to housing, economic development; minor share to environmental protection.
New York	No priority.
Pennsylvania	Housing, student loans; remainder to small issues and exempt facilities (50% each).
Midwest	
Illinois	No priority.
Indiana	State share: 28% to housing, 8% to economic development. Local share: no priority.
Iowa	30% to housing, 16% to student loans, 12% to economic development, 5% small issues to first-time farmers, and remainder on chronological basis.
Michigan	Chronological, but can be adjusted for economic impact and leverage of other capital.
Minnesota	Manufacturing, housing, public facilities; cities guaranteed percentage of cap.
Ohio	Single-family housing and small issues allocated chronologically.
Wisconsin	Single-family housing, small issues, multifamily housing. Allocation chronological.
South	
Alabama	35% small issues, 25% housing, 15% exempt facilities, 10% student loans.
Arkansas	\$50 million to industrial development, \$25 million to single family housing, \$15 million to multifamily housing, \$15 million to student loans, balance for all others. Allocated chronologically.
Florida	62.5% of state share to housing.
Georgia	40% to housing, 40% to economic development.
Kentucky	No priority.
Louisiana	No priority.
Mississippi	No priority.
North Carolina	No priority.
Oklahoma	20% to small issues.
South Carolina	Chronological allocation (job creation gets higher priority).
Tennessee	Manufacturing for export from state; housing and activities having economic impact on state; all others.
Texas	33% to single family housing, 10% to small issues.
Virginia	41% housing, 41% industrial development, 8% student loans, 10% governor's discretion.
West Virginia	No priority.
West	
Alaska	No priority.
Arizona	No priority.
California	Housing, small issues (by number of jobs created), all others.
Colorado	Housing, agricultural development, education and health facilities, student loans.
Hawaii	No priority.
Idaho	No priority.
Kansas	\$25 million to small issues, \$5 million to student loans, \$5 million to private use; allocation chronological.
Missouri	No priority but preference given to activities positively affecting state economy.
Montana	40% state share to housing, 25% student loans, remainder chronological.
Nebraska	30% housing, 30% governor's discretion, 20% student loans, 20% all others.
Nevada	No priority.
New Mexico	No priority.
North Dakota	No priority.
Oregon	\$60 million of state share to housing, \$60 million to economic development, \$7.5 million to energy.
South Dakota	No priority.
Utah	State share for single-family housing and student loans.
Washington	Housing, student loans, exempt facilities, small issues and public utilities.
Wyoming	\$90 million for single-family housing.

SOURCE: Dennis Zimmerman, *The Volume Cap for Tax-Exempt Private-Activity Bonds: State and Local Experience in 1989* (Washington, D.C.: Advisory Commission on Intergovernmental Relations, and Urban Institute, July 1990), pp. 12-13.